

Message Text

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STADIS/////////
USOECN - TO UNDERR SECRETARY COOPER FROM UOEKER

E.O. 11652: N/A

TAGS: EGEN

SUBJECT: DEVELOPMENTS ON THE HOME FRONT

1. THE FOLLOWING WILL GIVE YOU BACKGROUND ON ONE ITEM IN THE SPEECH (TIN) AND SOME DEVELOPMENTS IN OTHER AREAS SINCE YOUR DEPARTURE THAT MIGHT INTEREST YOU.

2. TIN. JULES AND I THINK THAT THE STATEMENT IN THE SPEECH ON OUR OPEN ATTITUDE TOWARDS BUFFER STOCK CONTRIBUTIONS WOULD BE STRONGER AND MORE CREDIBLE IF WE WENT ON TO SAY THAT WE WILL CONTRIBUTE TO THE TIN BUFFER STOCK. I HAVE THEREFORE GOTTEN APPROVAL ON THIS FROM OMB, TREASURY, AND COMMERCE. WE OFFERED TO SEND A MEMO TO THE PRESIDENT BUT OMB ASSURES US THIS IS NOT NECESSARY; OMB TAKES THE VIEW THAT A CONTRIBUTION IN KIND TO THE TIN BUFFER STOCK CAN BE APPROVED BY THEM OUTSIDE THE FRAMEWORK OF THEIR GUIDELINES ON PRESIDENTIAL DECISION ON BUDGET ISSUES.

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COMMERCE IN PARTICULAR WOULD LIKE TO KEEP OPEN THE OPPORTUNITY TO NEGOTIATE A QUID FROM THE PRODUCERS IN THE TIN COUNCIL. THE QUID WE WOULD SEEK MAY BE REDUCTION OF SOME PRODUCTION TAXES. THIS MAKES SENSE AND SHOULD BE TRIED. THEREFORE, I HAVE NEGOTIATED THE FOLLOWING SENTENCE WHICH COMMERCE CLEARS. QUOTE WE WOULD BE PREPARED TO RECOMMEND TO THE CONGRESS A U.S. CONTRIBUTION TO THE INTERNATIONAL

TIN BUFFER STOCK, IN THE CONTEXT OF COOPERATIVE MEASURES BY PRODUCERS AND CONSUMERS TO IMPROVE THE OPERATION OF THE INTERNATIONAL TIN AGREEMENT. UNQUOTE. I HAVE CALLED KEY CONGRESSIONAL INTERESTS CONCERNED WITH COMMODITY AGREEMENTS AND STOCKPILES TO INFORM THEM THAT WE ARE CONSIDERING THIS FOR OUR CIEC STATEMENT AND OF THE RATIONALE; I GOT NO NEGATIVE REACTIONS. IT IS YOUR AND THE SECRETARY'S CALL WHETHER YOU KEEP THIS IN THE SPEECH OR NOT. BUT I THOUGHT YOU WOULD WANT TO KNOW THAT THE GROUNDWORK HAS BEEN DONE AND THAT THE CONTENT OF THIS SENTENCE HAS SOME SUBSTANCE AND BUREAUCRATIC LIFE.

3. MEXICAN CONSULTATIVE MECHANISM. AT THE MEETING BETWEEN SECRETARY VANCE AND MEXICAN FOREIGN SECRETARY ROEL ON MAY 26, IT WAS DECIDED TO ESTABLISH TWO WORKING GROUPS ON ECONOMIC AND SOCIAL ISSUES (UNDOCUMENTED WORKERS PRIMARILY). THE ECONOMIC WORKING GROUP WILL HAVE FOUR SUBGROUPS, AS FOLLOWS: TRADE; FINANCIAL AFFAIRS; ENERGY, MINING, INDUSTRY, AND INVESTMENT; AND TOURISM. THESE SUBGROUPS WILL BE CHAIRED BY THE RESPECTIVE AGENCIES AT THE UNDERSECRETARY OR ASSISTANT SECRETARY LEVEL, AND WILL RECEIVE OVERALL GUIDANCE FROM THE CHAIRMAN OF THE ECONOMIC WORKING GROUP. THIS OBVIOUSLY CREATES A VERY HIGH-POWERED PROCESS. ARA AND I BELIEVE THAT OUR OBJECTIVE OF ENGAGING THE OTHER AGENCIES IN MEXICAN ISSUES WOULD BE BEST ACHIEVED BY HAVING THESE SUBGROUPS CHAIRED ON OUR SIDE BY STR, TREASURY, SCHLESINGER'S OFFICE, AND COMMERCE, RESPECTIVELY (ALL ARE WILLING TO DO SO). STATE DEPARTMENT COORDINATION ROLE IN PULLING TOGETHER THE RECOMMENDATIONS OF THE SUB-LIMITED OFFICIAL USE

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GROUPS CAN BEST BE PROVIDED BY YOUR CHAIRING THE OVERALL GROUP AND INVOLVING YOURSELF TO A LIMITED EXTENT IN WHAT PROMISES TO BE A MAJOR NEW INITIATIVE IN OUR RELATIONS WITH MEXICO. WE COULD LOGICALLY DEFINE THIS OVERALL COORDINATION AS BEING EITHER FOR THE FOUR ECONOMIC SUBGROUPS OR FOR THOSE PLUS THE SOCIAL GROUP. YOU DO NOT HAVE TO DECIDE THIS BEFORE YOUR RETURN.

4. SUGAR AND GSP. AT THE TRADE POLICY REVIEW GROUP (TPRG) MEETING ON MAY 26, STATE TOOK THE POSITION THAT ALL EIGHT COUNTRIES SHOULD BE DESIGNATED FOR GSP. ALL OTHER AGENCIES (EXCEPT NSC), HOWEVER, OPPOSED THIS, SINCE THE ISA NEGOTIATIONS WERE FAILING, THE INTERNATIONAL SUGAR PRICE WAS FALLING AND THE PRESIDENT MIGHT DESIRE TO DO SOMETHING ELSE FOR THE SUGAR INDUSTRY LIKE RAISE TARIFFS OR ESTABLISH QUOTAS. THUS, THE REASONING WAS THAT REDESIGNATING NOW MIGHT BE EXTENDING A BENEFIT THAT WE OURSELVES COULD CONCEIVABLY IMPAIR SHORTLY. REDESIGNATION WILL THEN BE POSTPONED UNTIL WE REVIEW SUGAR GENERALLY IN

THE WAKE OF THE ISA NEGOTIATION RESULTS SO FAR.

5. OPEC AND GSP. THE TREASURY REPRESENTATIVES AT THE TPRG AGREED TO DO NOTHING TO HELP THE OPEC COUNTRIES AND OTHER AGENCIES RESISTED A QUICK DECISION. AS A RESULT, NO ACTION WAS TAKEN ON THIS ISSUE. HOWEVER, TREASURY DID SEND A LETTER TO OMB COMMENTING ON THE VARIOUS OPEC-GSP BILLS IN THE CONGRESS IN WHICH THEY SAID THAT THEY FAVORED EXPANDING THESE BILLS TO INCLUDE THE POSSIBILITY OF A PRESIDENTIAL WAIVER FOR ALL OPEC MEMBERS, BUT THAT THEY WOULD PREFER TO SEE THE WAIVER USED (IF THE BILL BECAME LAW) ON A CASE-BY-CASE BASIS. THE EPG WILL BE CONSIDERING ALL THE OPTIONS IN MID-JUNE AND STATE IS TO PROVIDE THE OPTIONS PAPER FOR THE MEETING. THIS SHOULD ALLOW ENOUGH TIME TO AGREE ON A POSITION BEFORE THE VISIT OF VENEZUELAN PRESIDENT PEREZ AND THE OAS GENERAL ASSEMBLY MEETING, BOTH AT THE END OF JUNE.

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6. OECD DISCUSSIONS ON STEEL. WE HAVE AGREED ON A STATEMENT WITH THE EC FOR THE WORK PROGRAM OF THE OECD DISCUSSIONS ON STEEL. IT LEAVES THE DISCUSSIONS OPEN-ENDED ALTHOUGH THEY WILL BEGIN WITH A REVIEW OF A FACTUAL STUDY BY THE SECRETARIAT OF THE SITUATION IN THE WORLD STEEL INDUSTRY. THE JAPANESE, HOWEVER, CONTINUE THEIR OPPOSITION TO ANY OECD DISCUSSIONS WHICH WOULD GO BEYOND THE FACTUAL SITUATION INTO GOVERNMENT POLICIES. TO EASE THE JAPANESE PROBLEM, WE AND THE EC HAVE AGREED TO HOLD A TRILATERAL MEETING PRIOR TO THE INITIAL DISCUSSIONS IN THE OECD AND AS NEEDED AS THE DISCUSSIONS PROGRESS. THE FIRST MEETING OF THE OECD GROUP, IF THE JAPANESE AGREE, SHOULD TAKE PLACE AT THE END OF JUNE.

7. US-UK AVIATION NEGOTIATIONS. THE SIXTH ROUND OF US-UK CIVIL AVIATION NEGOTIATIONS ARE NOW IN THEIR SECOND WEEK IN LONDON. WHILE THERE HAS BEEN SOME AGREEMENT ON A VARIETY OF MINOR ISSUES. THERE HAS BEEN NO BRITISH MOVEMENT ON THE MAJOR NEGOTIATING ISSUES OF CAPACITY, ROUTES, AND DESIGNATION. DURING THE PAST TWO WEEKS THE BRITISH SIDE HAS PUT FORWARD A NUMBER OF PROPOSALS BUT THEY ARE THE FAMILIAR BRITISH POSITIONS IN NEW FORMS. FOR EXAMPLE, THEY WILL PERMIT MULTIPLE DESIGNATION OF US AIRLINES ONLY IN THE NEW YORK-LONDON MARKET AND ONLY IF THE SECOND US AIRLINE OPERATES TO GATWICK AIRPORT. WHILE THEY NO LONGER INSIST ON THE RIGHT TO VETO INCREASES IN US AIRLINE CAPACITY, THE DETAILS OF THEIR PROPOSALS WOULD STILL LEAD TO A 50-50 SPLIT OF THE MARKET, WOULD INHIBIT US AIRLINE INITIATIVES TO DEVELOP NEW MARKETS OR TO MEET INCREASES IN DEMAND IN EXISTING MARKETS, AND WOULD SERIOUSLY RESTRICT

US AIRLINE OPERATIONS. AMBASSADOR BOYD WILL PROVIDE THE
SECRETARY WITH A REPORT OF THE SITUATION ON JUNE 2 OR 3
INCLUDING HIS ASSESSMENT OF WHETHER IT WILL BE POSSIBLE
TO REACH AGREEMENT BY JUNE 22 AND HIS RECOMMENDATIONS AS
TO WHAT ACTIONS THE US SHOULD TAKE IF IT APPEARS THERE
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WILL BE NO AGREEMENT BY THAT DATE. VANCE

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